

CALIFORNIA DEBT AND INVESTMENT ADVISORY COMMISSION

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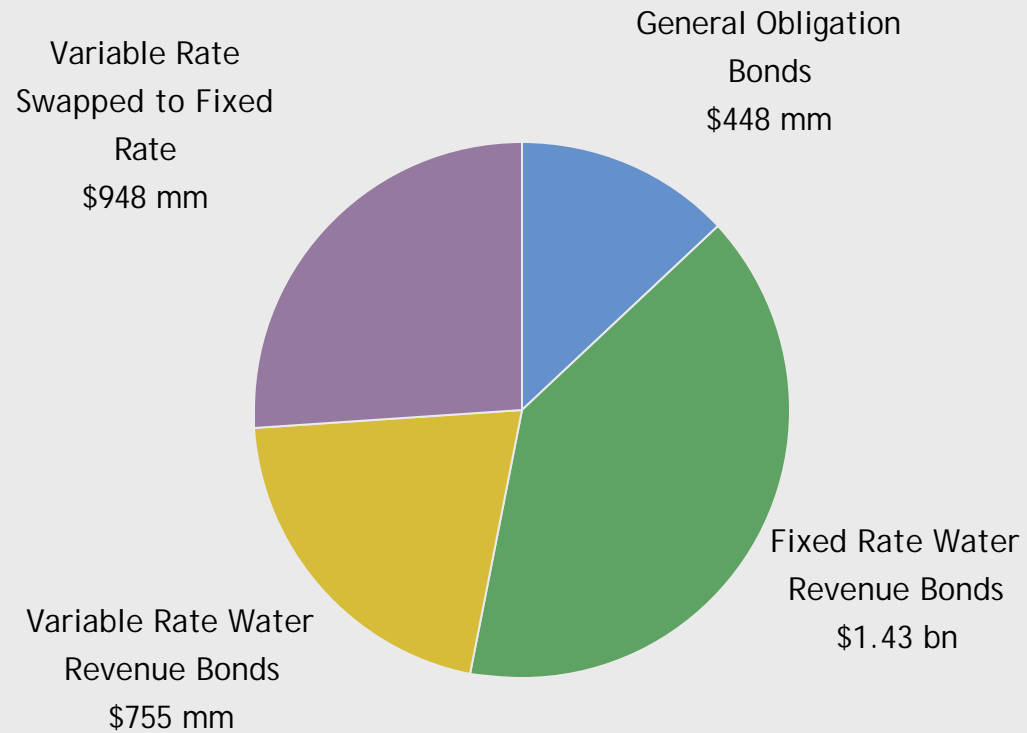


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Total Debt Outstanding

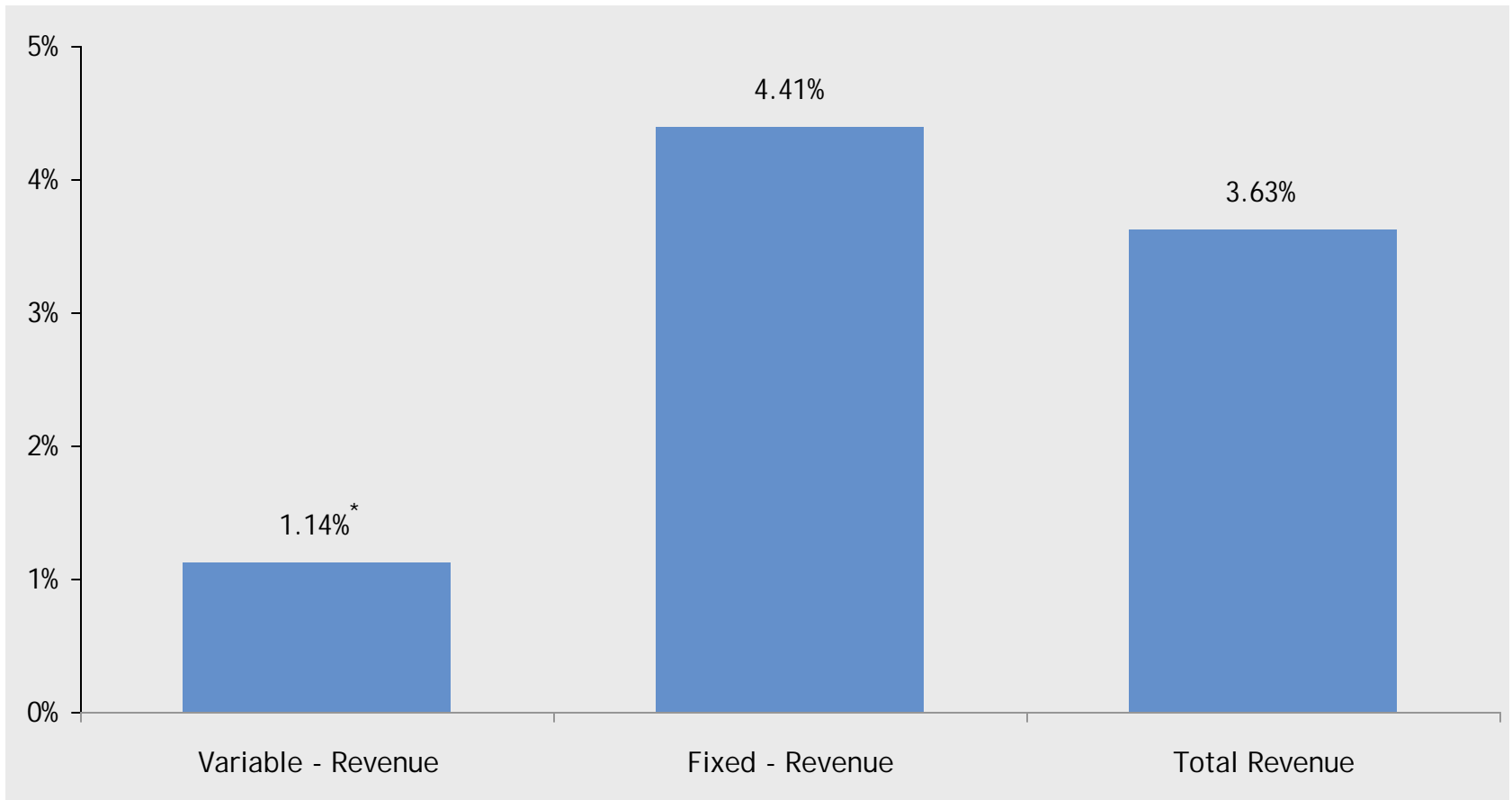
Metropolitan Water District of Southern California Outstanding Debt



Total = \$3.581 bn

Cost of MWD's Outstanding Revenue Bonds

Outstanding Debt



*Includes remarketing and LOC fees

Overview of MWD's Water Revenue Bonds

Outstanding revenue and revenue refunding bonds, as of March 25, 2004

Name of Issue	Original Amount Issued (\$)	Principal Outstanding (\$)	Interest Rate Range (%)
Water Revenue Bonds, Issue of 1991	300,000,000	-	N/A
Water Revenue Bonds, Issue of 1992	550,000,000	17,635,000	5.75
Water Revenue Refunding Bonds, 1993 Series A	168,759,889	110,144,889	5.00 - 5.80
Water Revenue Refunding Bonds, 1993 Series B	89,595,000	-	N/A
Water Revenue Bonds, 1995 Series A	175,000,000	-	N/A
Water Revenue Refunding Bonds, 1996 Series A	108,375,000	91,295,000	Variable
Water Revenue Refunding Bonds, 1996 Series B	258,875,000	183,405,000	4.625 - 6.00
Water Revenue Bonds, 1996 Series C	377,500,000	59,110,000	4.45 - 6.00
Water Revenue Bonds, 1997 Authorization, Series A	650,000,000	227,710,000	4.25 - 5.50
Water Revenue Bonds, 1997 Authorization, Series B	50,000,000	50,000,000	Variable
Water Revenue Bonds, 1997 Authorization, Series C	50,000,000	50,000,000	Variable
Water Revenue Refunding Bonds, 1998 Series A	148,705,000	144,340,000	4.00 - 5.25
Water Revenue Bonds, 1999 Series A	100,000,000	9,985,000	4.25 - 5.40
Water Revenue Bonds, 1999 Series B	50,000,000	50,000,000	Variable
Water Revenue Bonds, 1999 Series C	50,000,000	50,000,000	Variable

Overview of MWD's Water Revenue Bonds (Continued)

Outstanding revenue and revenue refunding bonds, as of March 25, 2004

Name of Issue	Original Amount Issued (\$)	Principal Outstanding (\$)	Interest Rate Range (%)
Water Revenue Bonds, 2000 Series B1-B4	355,200,000	355,200,000	Variable
Water Revenue Refunding Bonds, 2001 Series A	195,670,000	176,435,000	3.00 - 5.15
Water Revenue Refunding Bonds, 2001 Series B1	112,400,000	112,400,000	Variable
Water Revenue Refunding Bonds, 2001 Series B2	112,400,000	112,400,000	Variable
Water Revenue Bonds, 2001 Series C-1 and C-1	200,000,000	200,000,000	Variable
Water Revenue Refunding Bonds, 2002 Series A	96,640,000	95,405,000	Variable
Water Revenue Refunding Bonds, 2002 Series B	35,600,000	35,300,000	Variable
Water Revenue Refunding Bonds, 2003 Series A	36,215,000	36,215,000	Variable
Water Revenue Bonds, 2003 Series B-1 and B-2	200,000,000	200,000,000	5.00
Water Revenue Refunding Bonds, 2003 Series C-1 to C-3	338,230,000	338,230,000	Variable
Water Revenue Refunding Bonds, 2004 Series A-1 and A-2	162,455,000	162,455,000	Variable
Water Revenue Refunding Bonds, 2004 Series B	274,415,000	274,415,000	2.00 - 5.00

Overview of MWD's General Obligation Bonds

Outstanding revenue and revenue refunding bonds, as of March 25, 2004

Name of Issue	Original Amount Issued (\$)	Principal Outstanding (\$)	Interest Rate Range (%)
Waterworks Bonds, Election 1966 Series A	100,000,000	-	N/A
Waterworks Bonds, Election 1966 Series A	85,000,000	-	N/A
Series E Waterworks Bonds, Authorization 1969	100,000,000	-	N/A
Waterworks General Obligation Refunding Bonds, 1993 Series A1	138,085,000	22,940,000	7.25 - 8.00
Waterworks General Obligation Refunding Bonds, 1993 Series A2	87,315,000	8,030,000	7.25 - 8.00
Waterworks General Obligation Refunding Bonds, 1993 Series A3	54,335,000	-	N/A
Waterworks General Obligation Refunding Bonds, 1993 Series B	78,290,000	-	N/A
Waterworks General Obligation Bonds, Election 1966 Series H	50,000,000	47,160,000	4.60 - 5.25
Waterworks General Obligation Refunding Bonds, 1998 Series A	62,120,000	50,940,000	5.00 - 5.25
Waterworks General Obligation Refunding Bonds, 2001 Series A	49,390,000	49,390,000	3.20 - 5.25
Waterworks General Obligation Refunding Bonds, 2001 Series B	123,560,000	112,470,000	3.20 - 5.25
Waterworks General Obligation Refunding Bonds, 2002 Series A	55,185,000	49,125,000	2.00 - 4.25
Waterworks General Obligation Refunding Bonds, 2003 Series A	123,865,000	107,420,000	2.00 - 5.00

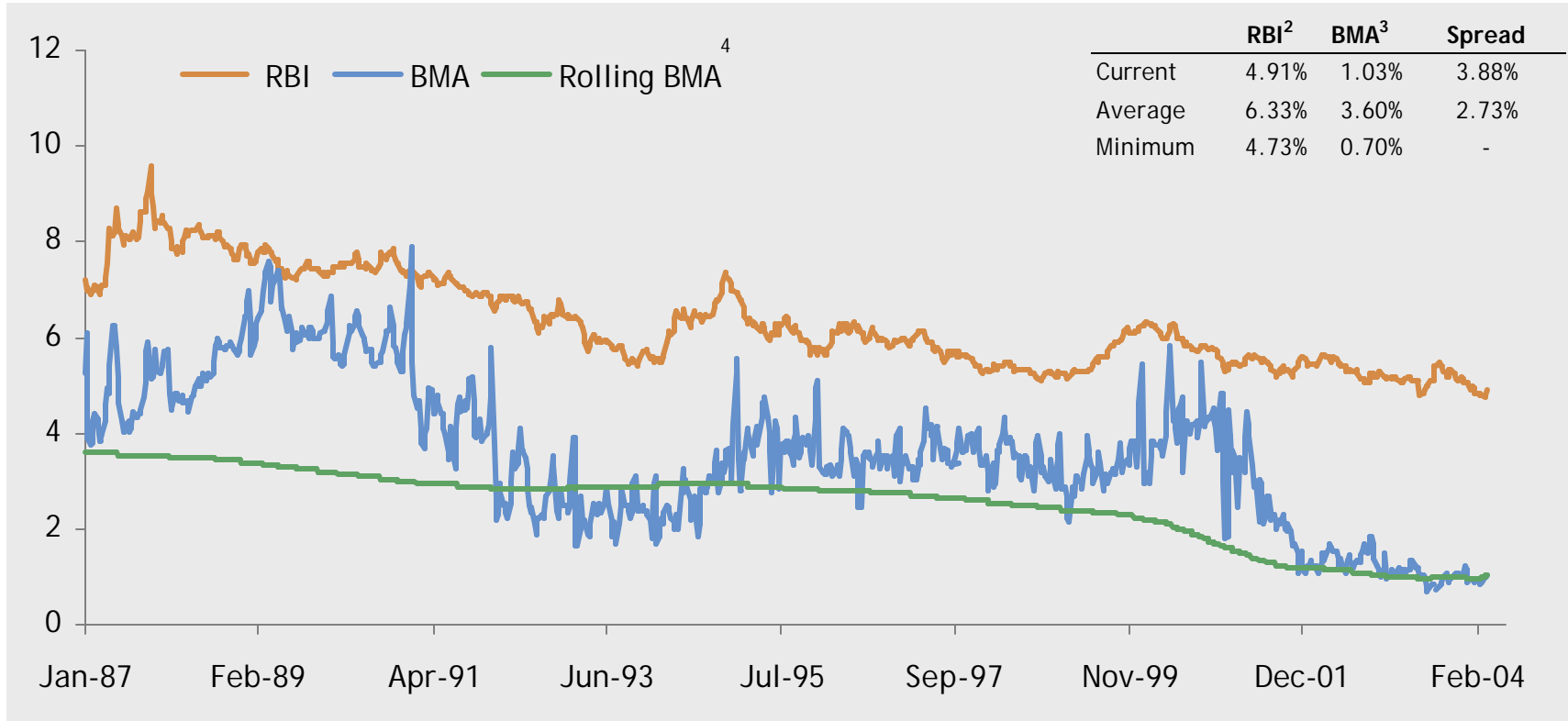
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Fixed and floating rates are currently near historic lows

Tax-exempt floating rates have historically outperformed fixed

RBI versus BMA¹



¹ Reflects market conditions as of April 2, 2004.

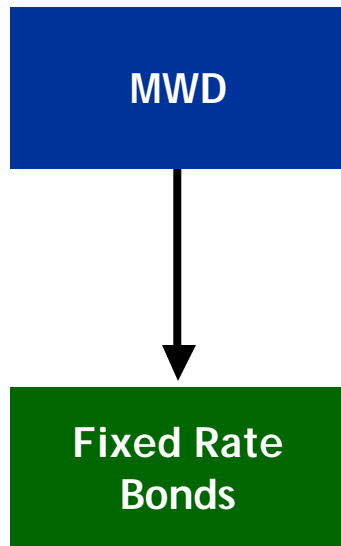
² The Revenue Bond Index (RBI) is based on 30-year bonds issued by 25 different revenue bond issuers for a variety of purposes including housing, transportation, hospitals and pollution control. The RBI is widely used as a benchmark for long-term revenue bonds.

³ The Bond Market Association (BMA) Index is a high-grade market index released by Municipal Market Data. The index includes 7-day tax-exempt variable rate demand obligations with the highest short-term ratings (VMIG-1/ A-1+) and with at least \$10 million outstanding.

⁴ Rolling BMA is the average of each weekly BMA reset from that day forward. At any point in time, the rolling BMA represents an average rate that an issuer would have paid to date on tax-exempt floating rate liabilities.

Fixed rate bond characteristics

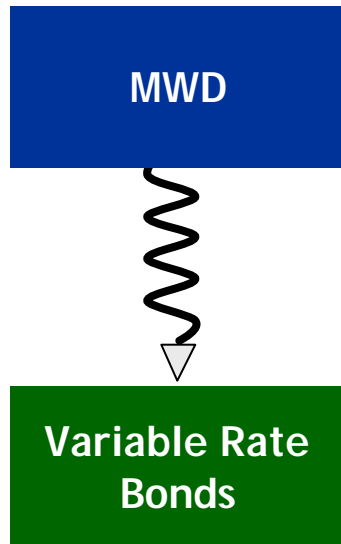
Fixed rate bonds - issuer pays a series of fixed rates of interest for the life of the bonds until they mature. This rate is fixed on the day of pricing.



- Interest rate is fixed until maturity, or at least until earliest call date
- Interest is paid semiannually
- Issuer achieves budgetary certainty and committed funding as to interest and principal
- Costs associated with the bonds are paid upfront: underwriter's fee, printing, legal, credit enhancement (if any)

Variable rate bond characteristics

Variable rate bonds - issuer pays a rate of interest that is reset periodically at predetermined intervals



- Coupon is reset by a remarketing agent based upon an index such as BMA (tax-exempt) or LIBOR (taxable)
- Bondholder has right to “put back” the bond to the remarketing agent
- Issuer has to secure a liquidity facility prior to initial sale in order to ensure bondholders will have liquidity if this happens
- Interest is usually paid on a monthly basis
- Issuer pays ongoing support costs over the life of the bonds (remarketing and liquidity), in addition to upfront costs (placement fee, legal, insurance, etc.)

Fixed rate vs. variable rate

Fixed Rate Bonds

■ Advantages

- Issuers can lock-in low cost long-term funding in a relatively low yield environment
- Committed funding; known cost of capital until maturity with no investor put features

■ Disadvantages

- Higher cost of capital in a positive yield curve environment
- Usually non-callable for ten years
- Limited to one advance refunding

Variable Rate Bonds

■ Advantages

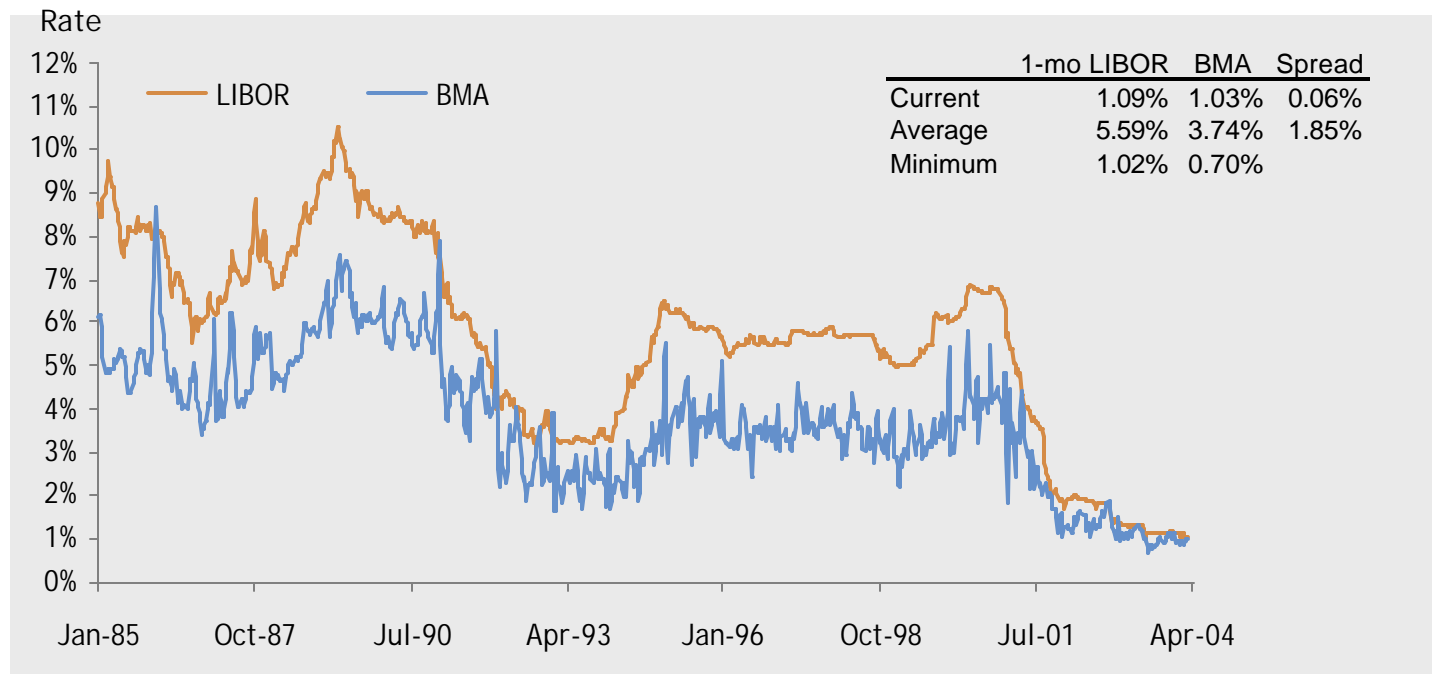
- Historically, on average, significantly lower cost of capital
- More optimal asset/liability matching
- Accommodates pooled financings, multi-mode features, and flexibility to expand/contract program
- Callable at any time, and able to convert (or current refund) to fixed rate

■ Disadvantages

- Uncertain total expense
- Investor put feature
- Credit enhancement/liquidity cost and access is uncertain going forward

Short-term investments pools have hedged variable rate risk

The BMA Index and 1-month LIBOR¹



¹ Reflects market conditions as of April 5, 2004

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Auction Rate Securities

- Auction rate securities provide the benefit of variable rate funding without the disadvantages of put risk or bank facility renewal risk
- Interest rates are reset on a periodic basis through a “Dutch Auction” process, which takes place at the beginning of each holding period and determines the interest rate for each period
 - Auctions are held every 1, 7, 28, or 35 days and flex mode
 - Insurance provides access to the market for the life of the bonds
 - Can switch to VRDB market with liquidity only

Variable Rate Demand Bonds versus Auction Rate Securities

Variable Rate Bonds

■ Advantages

- Lowest cost of funding
- Achieves greatest call flexibility
- Flexibility to change between modes (multi-modal documents)

■ Disadvantages

- Bonds are subject to put risk (uncommitted funding)
- Renewable liquidity facilities may result in increasing costs and diminished availability
- An industry shock or change in Federal tax law may affect the interest rate

Auction Rate Securities

■ Advantages

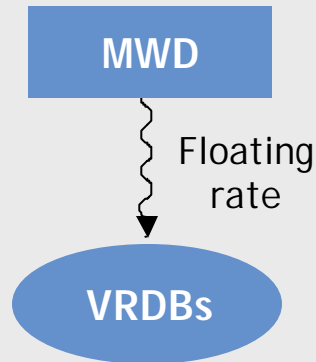
- Less credit risk due to elimination of put, downgrade and renewal risks
- Considered committed funding
- Elimination of bank liquidity and credit facilities, for which there are fewer providers which are increasingly expensive
- Elimination of bank negotiations and related time and expense

■ Disadvantages

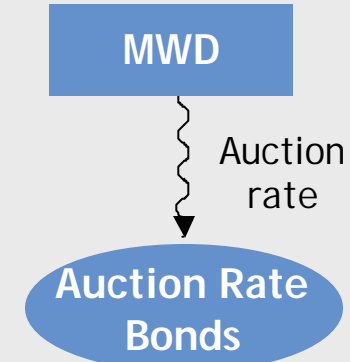
- Remote possibility of a failed auction
- Possibility of “de-minimis” rollback
- Prospect of the auction product no longer being a preferred investment option with high-net worth and corporate investors
- An industry shock or change in Federal tax law may affect the interest rate

Comparison of interest rate costs - VRDBs and Auction Rate Securities

Variable Rate Bonds



Auction Rate Securities



Interest cost

Floating Cost (10-year BMA)	3.01%
Remarketing Fee	0.10%
Estimated Bank Liquidity Fee	0.27%
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All-in annual cost of capital	3.38%

Interest cost

Floating Cost (10-year BMA)	3.01%
Remarketing Fee	0.25%
Auction Agent Fee	0.01%
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All-in annual cost of capital	3.27%

Variable rate funding alternatives

	Alternative Variable Rate Structures		
	Commercial Paper	Auction Rate Securities	VRDB
Associated Risks and Considerations			
Interest Rate Risk	Yes	Yes	Yes
Tax Risk	Yes	Yes	Yes
Liquidity Facility Required	Yes	No	Yes
Credit Enhancement Required	Yes	Yes	Yes
Liquidity Renewal Risk	Yes	No	Yes
Failed Auction/Remarketing Risk	Yes	Yes	Yes
Counter Party Risk	No	No	No

Comparison of floating rate tax-exempt bonds

Variable Rate Demand Bonds (VRDBs)

- Money market eligible
 - sold primarily to money market funds
- Long dated maturity with short reset periods (typically 1, 7 or 30 days)
- Retain option to change modes with multi-modal documents
- Requires bank facility
- May not require bond insurance
- Historically low cost debt, but has interest rate risk
- Other risks and considerations include:
 - bank facility renewal risk
 - put risk
 - event risk

Municipal Short-Term Auction Rate Securities (M-STARS)

- Not money market eligible
 - sold primarily to corporations and high net-worth buyers
- Long dated maturity with short auction periods (typically 7, 28 or 35 days)
- Retain option to change modes with multi-modal documents
- Requires bond insurance
- Does not require liquidity facility
- Historically low cost debt, but has interest rate risk
- Other risks and considerations include:
 - failed auction risk
 - decreased investor appetite
 - event risk

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Commercial Paper Overview

Commercial Paper

Use

- Typically utilized to finance long term construction projects or ongoing capital projects
- CP is issued as funds are needed (up to a maximum authorized amount)
- Commonly utilized by airports with active construction programs

Advantages

- Offers low cost of capital while providing the flexibility to draw down or repay principal as needed
- Ability to choose specific maturities, up to a maximum of 270 days, which may lower the cost of funds during particular short-term rate spikes
- Ability to treat the CP program as a “line of credit” or permanent portion of the capital structure which can be drawn down or paid off at any time
- Allows borrowing to match fluctuating capital needs

Considerations

- Requires credit support and active program management
- Credit renewal risk

Overview of Tax-Exempt Commercial Paper ("TECP")

Commercial paper is a continuous series of maturities of 270 days or less which can be adjusted both in size and maturity

- Tax-Exempt Commercial Paper ("TECP") is a short-term promissory note backed for liquidity purposes by a dedicated source of immediately available funds
- Commercial paper is commonly used by issuers who have new or active construction programs because of its "draw-as-you-go" flexibility
- The issuer has the option to expand or contract a program over its life
- Historically, on average, significantly lower cost of capital than fixed rate bonds
- Lower up-front costs and less disclosure required than fixed rate bonds
- Final maturity of program may not exceed 120% of average economic life of projects being financed
- Flexibility to refinance at any time
- The rate may be reset at the choice of the issuer
- Tax-exempt commercial paper typically has a credit facility (letter of credit, liquidity or self-support)

TECP Program Specifics

- Individual note maturities of 1 to 270 days
 - The most common range is 30-45 days
 - Notes are issued at par and interest paid at maturity of each individual note
- A TECP program constitutes a continuous offering or re-issuance of debt, with same-day settlement of funds
 - Maturing TECP is “rolled-over” or replaced by a new issue of TECP at prevailing interest rates
 - Accrued interest paid by selling additional TECP notes or from another source of funds
 - Buyers cannot tender notes prior to maturity
- The process is repeated until the TECP program is either refunded with permanent long-term financing or paid off from other sources
- Short-term products must be liquid and carry the highest short-term ratings (P-1/A-1+/ F-1+)
 - TECP, therefore, is usually backed by a letter of credit or line of credit from a commercial bank for liquidity in the unlikely event that maturing notes cannot be remarketed
 - LOC provides both credit and liquidity
 - Liquidity facility provides only the latter
 - In the current market, a typical LOC/liquidity facility term is from 1 to 5 years
- TECP notes are sold in minimum denominations of \$100,000 and then in increments of \$1,000
- TECP is issued in book entry form through DTC
- TECP is exempt from SEC registration requirements and from the continuing disclosure requirements of Rule 15c2-12

A TECP Program is Flexible

- The issuer authorizes a TECP program amount, e.g., \$125,000,000
- Following an initial issuance of \$25,000,000 or more, TECP can be issued in increments as small as \$5,000,000
- Within the authorized program, TECP can be issued, re-paid and re-borrowed, or the full authorization can be issued and remain outstanding
- TECP can be remarketed indefinitely. Many issuers, however, refinance TECP periodically through the issuance of fixed rate debt or a more permanent type of variable rate debt. The timing for such a refinancing may be:
 - When long-term rates are “favorable”
 - When a specified amount of TECP is outstanding
 - Periodically - every two years, for example
 - When a particular project is completed and can be added to the airline rate base
- The administration of a TECP program will involve some staff time. The time commitment varies with issuer preference, but is generally quite limited

TECP: Advantages and Disadvantages

Advantages

- Cost Efficiency
- Minimal Up-front Fees
- Structural Simplicity
- Financing Versatility
- Timing Flexibility

Disadvantages

- Ongoing Administration
- Recurring Fees
- Credit/Liquidity Renewal
- Tax Risks

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Basic types of security

- Tax-Secured Debt
 - General Obligation
 - Sales Tax Bonds
 - Highway User Tax Revenues Bonds
 - Hotel Tax/Convention Center Bonds
 - Non Ad Valorem Bonds
 - Lottery Revenue Bonds
 - Special-Purpose Districts
 - State Credit enhancement Programs
 - Lease/Appropriation-Backed Obligations
 - Federal Leases
 - Moral Obligation Bonds
- General Government Utilities
 - Water And Sewer
 - State Revolving Funds
 - Electric Utility
 - Solid Waste System Financings



Basic types of security

- Transportation
 - Airport Revenue Bonds
 - Stand-Alone Passenger Facility Charge Debt
 - Port Facilities Revenues Bonds
 - Toll Road and Bridge Revenue Bonds
 - Airport Special Facilities Bonds
 - Mass Transit Bonds Secured by Farebox Revenues
 - Parking Revenue Bonds
- Housing
 - Single-Family Mortgage Bonds
 - Ginnie Mae, Fannie Mae, and Freddie Mac Single-Family Programs
 - Home Improvement Loans
 - Multifamily Housing Bonds
 - FHA-Insured Mortgages
 - Public Housing Authority Debt
 - State Housing Finance Agencies

Cash Flow Notes

- Cash flow notes can be issued in the form of:
 - Revenue Anticipation Notes ("RANS")
 - Tax Revenue Anticipation Notes ("TRANS")
 - Bond Anticipation Notes ("BANS")
- State and local governments issue cash flow notes to address a mismatch between the receipt of revenues and disbursements for ongoing operations
 - Many issuers receive revenue during specified quarters, rather than evenly throughout the fiscal year

Types of Documents

- Authority
 - Statute
 - Resolution
- Authorizing Documents
 - General Resolution
 - Series Resolution
 - Trust Agreement/Indenture
- Financing Documents
 - Loan Agreement/Lease Agreement/Trust Agreement
- Offering/Sale Agreements
 - Official Statement
 - Bond Purchase Contract
 - Letters of Representation
 - Agreed Upon Procedures Letter/Consent Letter
- Credit Facility Documents
- Continuous Disclosure Agreement
- Opinions